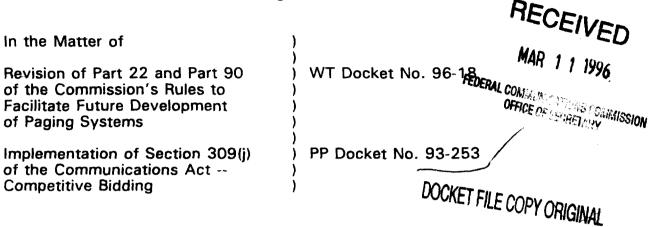
Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554



REPLY COMMENTS OF THE PAGING COALITION

Blooston, Mordkofsky, Jackson & Dickens, on behalf of its common carrier paging clients listed in Attachment A hereto (the Paging Coalition or the Coalition), and pursuant to Section 1.415(c) of the Commission's Rules, hereby submit their reply comments in the above-captioned proceeding.

1. The Record Shows That the Commission's Application Freeze and Contour Shrinkage Proposal Exceed its Statutory Authority.

The record developed by the comments in this proceeding shows that the Commission's implementation of a paging application freeze, and its interim licensing proposal (including the recalculation of the composite interference contours in the 929 and 931 MHz paging bands), are contrary to law.

Section 309(j)(7)(a) of the Communications Act of 1934, as amended (the Act), explicitly provides as follows:

- (7) CONSIDERATION OF REVENUES IN PUBLIC INTEREST DETERMINATIONS. --
- (A) CONSIDERATION PROHIBITED. -- In making a decision pursuant to section 303(c) to assign a band of frequencies to a use for which licenses or permits will be issued pursuant to this subsection, and in prescribing regulations pursuant to paragraph 4(C) of this subsection, the Commission may <u>not</u> base a finding of public interest, convenience, and necessity on the expectation of Federal revenues from the use of a system of competitive bidding under this subsection. (underlining added).

In adopting the captioned <u>Notice of Proposed Rulemaking</u> (NPRM), the Commission stated

"[b]ecause of the fundamental changes we are proposing in our paging licensing scheme [i.e., market area licensing], we are suspending the acceptance of new applications for paging channels as of the adoption date of this Notice... We believe that after the public has been placed on notice of our proposed rule changes, continuing to accept new applications under the current rules would impair the objectives of this proceeding." NPRM at para. 139. (underlining added).

Additionally, in order to further its goal of licensing the existing paging frequencies on a market area basis by competitive bidding, the Commission has proposed to implement a new formula to calculate a station's interference contour, both on an interim and permanent basis.¹ This formula, especially in the 929/931 MHz paging bands, significantly reduces the protection afforded by the current rules (including the 20-mile service area contour and 50-mile interference contour typical of most stations). Because this significant contour reduction will not safeguard the service provided by existing systems, the Coalition can only agree with those commenters who conclude that the Commission is trying to create additional unlicensed area in order to enhance the revenues from an auction.

As pointed out in the comments of John D. Pelligren (Pelligren) and ProNet Inc. (ProNet), the redefinition of station contours to create additional auctionable spectrum contravenes the Commission's statutory authority. Section 309(j)(7)(A)

Footnote 271 of the NPRM provides that "[t]he interference contour is based on a median field strength of 21 dBu V/m." The Commission's staff has informally indicated to the undersigned counsel that this footnote was not intended to immediately replace the Commission's rules for implementing transmitters which qualify for construction under current Rule Sections 22.163 and 22.165. However, adoption of the new formula as an interim standard was identified as a possible outcome of the instant proceeding, although this is not clear from the text of the NPRM.

specifically prohibits the Commission from utilizing the auction/competitive bidding process in order to award licenses based upon the anticipated revenues which will be derived from an auction. Since the freeze and contour recalculation are both designed primarily to make an auction more profitable, that is contrary to law. Accordingly, the Coalition urges the Commission to immediately lift the freeze and to continue licensing paging facilities on a site-by-site basis, in accordance with the Commission's current application processing rules, pending the outcome of its market area licensing proposal.

II. The Commission Must Consider Reasonable Alternatives to Freezing the Acceptance of Paging Applications.

The comments on file show that the industry overwhelmingly opposes an application freeze and the Commission's interim licensing procedures as contrary to the well being of the industry and the customers that it serves. This sentiment is the result of the instant paralysis imposed on this very mature industry by the freeze. Over the years, the industry has been able to respond to customer demands for improved and expanded service. An additional wait of one year or more to implement improved service to subscribers, on top of the recent processing delays in the common carrier frequency bands is unacceptable. As shown by the record in this proceeding, such an environment will only serve to harm the paging industry by reducing competition; smaller carriers will be forced out of business as customers look elsewhere for their communications needs;² and even larger carriers will experience customer dissatisfaction, which undermines the public's confidence in one-way communications services. In order

² For example, Morris Communications notes that if the freeze is not immediately lifted, it will be forced to make significant staff reductions as proposed expansion plans for calendar year 1996 will not be implemented. As a result, customers in these areas will be forced to continue without necessary improvements to their paging service.

to prevent such a harsh result, the Coalition urges the Commission to immediately lift the freeze, as the most obvious alternative to its proposal; or to consider other reasonable alternatives to the paging freeze and its proposed interim licensing procedures, as it is required to do. See Telocator Network of America v. FCC, 691 F. 2d 525, 537 (D.C. Cir. 1982).

In the event that the Commission chooses not to lift the freeze, then the Coalition urges the Commission to adopt the alternative approach outlined in their comments. With respect to the exclusive use paging frequencies, the Coalition suggested in its comments that the Commission allow licensees to: (1) file applications for additional sites within a reasonable distance (e.g., 40 miles) of its existing system; and (2) fill-in gaps in their coverage that may be larger than 40 miles, where such gaps are substantially surrounded (e.g., along at least six of the eight principal radials) by the licensee's co-channel facilities. Comments of the Coalition at 14-15.

The Coalition has reviewed the interim licensing comments submitted in the referenced docket. Other members of the industry have offered alternatives which would likewise significantly mitigate the harm imposed by the Commission's freeze and proposed interim licensing proposals, by more effectively allowing existing carriers to respond to subscriber demands for service.

For instance, Paging Partners Corporation (Paging Partners) urges the Commission to grandfather existing transmitters in the 929 and 931 MHz paging bands with a 20-mile service and 50-mile interference contours. Comments of Paging Partners at 4. The Coalition believes that this represents a reasonable alternative to facilitate the implementation of internal fill-in transmitters, so that most carriers will be able to serve their customers throughout their existing service areas. Additionally, since licensees have installed many fill-in transmitters

without notice to the FCC (since such notice is no longer required under Part 22 of the Commission's Rules), the status of those fill-in transmitters would be questionable if they are located outside the reduced composite interference contour. By grandfathering both authorized transmitter sites and existing fill-in transmitters, as of the release date of the NPRM, carriers will enjoy the added flexibility in making internal service enhancements to existing systems. The Coalition believes that such grandfathering should extend to grants made in the future of already-pending applications.

Paging Partners also suggests that, in the event the Commission does not lift the paging freeze, existing licensees should be permitted to establish additional sites on a primary basis, provided as there is an overlap between the existing reliable service area contour (RSAC) and the RSAC of the proposed transmitter.

Id. at 3. The Coalition believes that this proposal is in the public interest, since licensees will have the flexibility to immediately respond to customer requests for needed service by implementing new sites. Such flexibility is necessary as private industry and governmental agencies (which are the bulk of the Coalition's clients) consolidate, reorganize, and relocate personnel and operations to new campuses.³

³ The Coalition also supports Paging Partner's conclusion that the Commission should license all sites during the interim licensing period on a primary, rather than secondary basis. Id. Licensing on a primary basis is necessary so that carriers will be able to obtain financing for the necessary expenses (equipment and otherwise, which can be in excess of \$25,000 per site) to establish and operate additional transmitter sites. This need is even greater where the licensee is a publicly traded corporation, and must satisfy its investors' concerns that the carrier is capable of making reasonable business decisions. As many carriers have noted, any sites which are authorized on a secondary basis during the pendency of this proceeding may very likely have to be dismantled following the auction. Given the resulting uncertainty and expense, it is unlikely that any reputable lending institution or group of capital investors would consider it a prudent risk to provide financing for paging system expansion. For these reasons, the Coalition opposes the suggestion by American Paging, Inc. that the Commission license, on a secondary basis, any 929/931 MHz paging transmitter which is to be located outside the existing composite interference contour of the applicant. See Comments of American Paging, Inc. at 2.

ProNet similarly proposes that the Commission authorize additional facilities, on a primary basis, so long as they are located within a 40-mile radius of an existing co-channel base station. See Comments of ProNet at 8-9. This proposal, which is similar to that offered by Teletouch Licenses, Inc. and the Private Carrier Paging Licensees with respect to the shared private carrier paging bands, is consistent with the Commission's one-to-a-market rule. See e.g., Rule Section 22.539(b); Comments of Teletouch Licenses, Inc. at 10; Comments of the Private Carrier Paging Licensees at 10.

Additionally, ProNet urges the Commission to permit licensees to make modifications to their existing systems, where under the Commission's Rules, no other carrier would be able to serve the area. Id. at 9-10. This latter suggestion appears to be consistent with the Coalition's proposal to allow incumbents to fill in "pockets" in their coverage, as discussed above. These proposals would provide paging licensees some degree of flexibility to expand their paging systems, on a primary basis, within a 40-mile radius (for paging facilities below 900 MHz) or within a 70-mile radius (for paging facilities in the 929/931 MHz paging bands) without substantially reducing the amount of spectrum which might be available for auction. Additionally, since only existing licensees would be permitted to make these "minor" system expansions, the likelihood of speculation is remote, at best. Thus, paging carriers will be able to provide service with reasonable certainty that the base stations would not have to be dismantled at a later date in order to accommodate the new needs of the market area licensee after service was already being provided to the public. This is especially necessary in those circumstances where, because of engineering considerations, another carrier could not provide service due to co-channel interference considerations.

Other commenters have similar ideas on expansion rights for incumbent licensees. See, e.g. Comments of Page Telecommunications, L.L.C. at 4-5 (existing licensees should be allowed to add transmitters that overlap an existing site's interference contour by at least 50 percent); Comments of PageMart, Inc. at 4 (additional transmitters can be established within the existing service area contour, even if the new service area will extend beyond the contour).

The foregoing alternatives each contain provisions which may provide an acceptable interim solution. While each of these alternatives differ somewhat, they all recognize that existing licensees must be afforded a reasonable opportunity to expand their coverage, and that this expansion cannot be accomplished with transmitters that would only operate on a secondary basis. The Coalition recommends that the Commission provide the industry sufficient time to develop a consensus as to the best solution with respect to each of the paging services, e.g., private carrier shared channels, common carrier exclusive below 900 MHz, and 929-931 MHz exclusive channels.

The Coalition has concerns that the suggestions of certain other commenters will have a deleterious effect on the industry, if adopted. In particular, Brown and Schwaninger urge the Commission to provide expansion flexibility only to small carriers with no more than six co-channel base stations in a particular market. See Comments of Brown and Schwaninger at 3. The members of the Coalition, many of whom are small businesses themselves, believe that this proposal is too restrictive. In most markets, more than six transmitters are required to adequately serve a particular area. Under the Brown and Schwaninger proposal, most licensees would be frozen out. The number of transmitters that are deployed in a particular system is not governed by the size of the carrier, but rather by the size of the area that the carrier must serve, as

well as the needs of its customer base. In that all carriers serve both large and small customers, the Coalition respectfully submits that all carriers must have the same flexibility in order to adequately serve their customers. Because the Commission's licensing of paging channels is based upon a finding that the grant of the application will serve the public interest, in accordance with Section 309(a) of the Act, the Coalition does not see how restricting expansion rights to only a small class of existing carriers would serve the public interest, especially since the vast majority of paging subscribers are served by systems that would not be able to expand or change to meet the changing needs.

A + Communications, Inc. (A + Communications) supports the Commission's use of the 21 dBu V/m formula, using the assumption of 1,000 watts effective radiated power (ERP) at 1,000 feet HAAT, regardless of the actual values attributable to the component sites in those systems. See Comments of A + Communications at 3. The Coalition sees the logic to this suggestion, but opposes any use of the formula proposed by the Commission, even with an assumption that a 900 MHz paging facility is operating at 1,000 watts ERP and 1,000 feet HAAT. The concern is that while A+ Communications' proposal would result in a default separation of 70 miles for all base stations in the 929/931 MHz paging bands, such separation would not necessarily be adequate where the actual height or power of the station would result in greater contours under Rule Sections 22.537 and 90.495. Because the proposal of A + Communications could result in a substantial reduction in the contours for Class K, H, G, and F stations, the Coalition submits that the Commission should instead utilize the existing tables of Rule Sections 22.537 and 90.495 in order to determine the appropriate station contours and co-channel separation. In this way, co-channel licensees will be assured of being able to

provide reliable service to their subscribers without risk of harmful co-channel interference.

B & B Communications, Inc. proposes that the Commission permit mutually exclusive applicants to negotiate a settlement during a set 45-day period following the Commission's release of a public notice announcing that the applications are mutually exclusive. See Comments of B & B Communications, Inc. at 5. If there is no settlement, the mutual exclusivity would be resolved by auction. Id. The Coalition supports this proposal inasmuch as it recognizes that licensees should be able to resolve frequency conflicts. However, the Coalition disagrees with the time limitation proffered by B & B Communications, Inc. The auction legislation encourages engineering and other resolutions to frequency conflicts and the Commission has not stayed its settlement rules. Therefore, there should be no restrictions on settlements which would allow the grant of mutually exclusive applications.

III. Licensees On Nationwide Paging Channels Have an Unfair Competitive Advantage.

The Coalition agrees with Page Telecommunications L.L.C (Pagetel) and the Coalition For A Competitive Paging Industry that the freeze gives licensees operating facilities on the nationwide 929 and 931 MHz frequencies an unfair advantage over all other paging licensees. See Comments of Pagetel at 7.; Emergency Petition for Immediate Withdrawal of Freeze at 15-16.

Under the freeze, most paging licensees are precluded from effectively expanding their systems. However, licensees on the 931 MHz nationwide frequencies, or who have been granted nationwide exclusivity on a 929 MHz channel, can expand their systems without restriction. These licensees generally provide local and regional paging services, in direct competition with smaller carriers; nationwide service is available as an additional cost option. Since the

nationwide licensees will be able to expand their systems without restriction, all other carriers will be at a distinct competitive disadvantage. As a result, the Coalition fears that there could be a significant loss of subscriber base to the nationwide licensees during the pendency of this rulemaking, which will more than undo any purported benefits. This result would be arbitrary and capricious, and further dictates against the freeze.

IV. Conclusion.

Like most commenters in this proceeding, the Coalition opposes the application filing freeze and the interim processing rules, as proposed. The Commission's application freeze is in violation of Section 309(j)(7)(A) of the Act. If the Commission does not lift the freeze altogether, the Coalition urges the Commission to consider the many reasonable alternatives which have been proffered during the comment cycle.

Respectfully submitted,

THE PAGING COALITION

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Dated: March 11, 1996

ATTACHMENT A

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Anserphone of Natchez, Inc.

CommNet Paging Inc.

Metro/Delta, Inc.

Oregon Telephone Corporation

Paging Systems Management, Inc.

Professional Answering Service, Inc.

Radio Paging Service

Radiofone, Inc.

RCC Paging, Inc.

Sema-Phoon, Inc.

Ventures in Paging L.C.

CERTIFICATE OF SERVICE

I, Elizabeth A. Ebere, hereby certify that I am an employee of Blooston, Mordkofsky, Jackson & Dickens, and that on this 11th day of March, 1996, I caused to be delivered by first-class U.S. mail, postage prepaid, a copy of the foregoing **Reply Comments of the Paging Coalition** to the following:

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